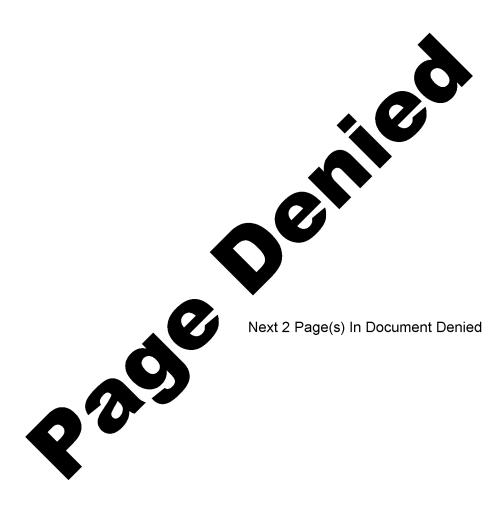
Τ Ε C		
) H Z O	13 November 1984	
L	NOTE FOR: 25	5X1
Υ T	FROM : 25  Acting Chief, Technology Transfer Assessment Ce	X1
R A N		110
S F E R	We have nothing to add to the question of Italian diversion of COCOM-controlled equipment through Austria instead of Switzer	·la
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## THE ROLE OF ITALY IN THE TRANSFER OF TECHNOLOGY TO THE SOVIET UNION AND EASTERN EUROPE

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## Summary and Conclusions

Soviet and East European access to Western high technology through Italy for the most part occurs through traditional business activities. Italy's commercial relationships with the Soviet Bloc are well-established, actively promoted, and considered important to its economic welfare. The opportunities for acquisitions of strategic technologies are perhaps fewer than in France or West Germany because of Italy's less advanced technological base, but the infusion of US technology and equipment along with the indigenous capabilities in a few select areas have warranted the attention of the Soviet Union and Eastern Europe. However, the likelihood of Soviet technology acquisitions through Italy is perhaps greater than the evidence shows to date.

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Italy is a net importer of technology and is

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5-10 years behind other Western countries in moving to a high-technology industrial structure. Nevertheless, unique indigenous capabilities have been identified in a few Italian firms. The Soviet Union and Eastern Europe are known to concentrate their acquisition efforts in these select technological areas of the few select Italian firms which have established a reputation of excellence: machine tools and automated manufacturing, electronic components and semiconductors, telecommunications. advanced materials, and chemical processing.

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Incidents of transfers of equipment for military application from Italy have been few.

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There are numerous examples of dualuse equipment being transferred from Italy to the Bloc, but it is difficult to assess these in terms of strategic value, since factors affecting that determination may be unknown such as the end user of the items and the equipment's technical specifications or configuration. Moreover, individual sales may be legal in that the equipment embodies less advanced technology, but these transactions may strengthen the general industrial base.

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Numerically controlled machine tools, advanced machining centers and robots constitute the largest grouping of technologies transferred from Italy to the Soviet Bloc; the Soviet automobile industry has been the chief beneficiary. Evidently, Soviet recognition of Italian excellence in this field has motivated them to place 60 technicians in the design center of an acknowledged industry leader, Comau, a subsidiary of

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	licensed their technolog kchanges, and hold sympo	
quipment are more limite ources of technology. S quipment and integrated irms to the Soviet Union	f advanced electronics ted but are, nevertheless Semiconductor raw matericircuits have all been and Eastern Europe. I	, important als, production sold by Italian talian-made
omputers and software a	re also of primary inter	est.
The Soviet Union has	s sought a variety of ot	her technologies
n Italy such as telecommend advanced materials fo	nunications, compu <u>ter da</u> or several years.	ta base services,
ccomplished through a variant	re, acquisitions of tech ariety of mechanisms. M trade both legal and direct sales to the Com	ost of the illegal such
nd the use of wholly-own entures. Another prima ndividuals as technolog	ned Bloc firms, mixed fi ry mechanism is the use y collectors Intellig er commercial representa	rms or joint of Soviet Bloc ence officers,
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Diversion likely has been the most successful of the illegal mechanisms used: firms or individuals that sell restricted material without the benefit of export licensing or approval. Large amounts of semiconductor production equipment and advanced machine tools have illegally been shipped to the Soviet Bloc by Italian companies. The Soviet Union may also pressure firms with a substantial amount of legal business to acquire controlled items on their behalf.

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Although Italy, like the other COCOM members, has the governmental apparatus to control the illegal flow of technology out of the country, enforcement is weak. There is a seeming unwillingness to enforce what are viewed as minor infractions against the system. The Italian Customs services give a low priority to the export of dual-use equipment and technology and resources have not been allocated to export enforcement.

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Rome seems to agree that export controls and COCOM are important, yet Italy brings relatively fewer cases for COCOM licensing approval than other member countries. This suggests three possibilities: Italy's trade with proscribed nations is primarily in non-COCOM-controlled items, firms are selling goods without applying for export licenses from Rome, or Italian officials are approving sales without the benefit of COCOM review.

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The existence of high-technology industries, a sizable Soviet presence, and a seeming lack of governmental control over exports, unite to create a situation in which technology losses could easily occur. Additional factors present a stronger case for potential technology transfers: an historical commercial relationship with the Soviet Bloc, the need to reduce a trade deficit with the USSR, and worldwide competition and pressure to find new markets for advanced technology products. examples of strategic goods being acquired from Italy and evidence that suggests that Rome may not necessarily be concerned with controlling this flow. Resources have not been allocated to the enforcement agencies that control illegal exports and the prevailing laissez-faire attitude towards dual-use items would not suggest any future changes. As Italy upgrades its technology base, it is likely that there will be more losses to Soviet Union and Eastern Europe.

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